

Message Text

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PAGE 01 HELSIN 00550 131215Z

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 EURE-00 SAM-01 SP-02 AID-05 EB-07

NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 DODE-00 PA-02 USIA-15 PRS-01 NIC-01

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P R 131015Z MAR 75

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC PRIORITY 8403

INFO USMISSION GENEVA

USDEL MTN GENEVA

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY MOSCOW

UNCLAS HELSINKI 550

E.O. 11652: N/A

TAGS: ECON, ETRD, FI

SUBJECT: GOVERNMENT ANNOUNCES MEASURES TO REDUCE FINLAND'S MASSIVE
TRADE DEFICIT

REF:HELSINKI 1305, JULY 2, 1974 (NOTAL)

1. SUMMARY: GOVERNMENT'S LONG-AWAITED PROGRAM TO DEAL WITH
FINLAND'S MASSIVE TRADE DEFICIT AND CONSEQUENT BALANCE OF
PAYMENTS PROBLEM IS ANNOUNCED. MAIN FEATURES WITH IM-
MEDIATE IMPACT ARE PRICE FREEZE AND VARIABLE IMPORT DEPOSIT
SCHEME. FIFTEEN PERCENT NON-REFUNDABLE SURCHARGE ON ALL
IMPORTS WILL BE IN EFFECT UNTIL PARLIAMENT ENACTS IMPORT
DEPOSIT LAW. MAJOR NON-GOVERNMENT PARTIES, COMMUNISTS AND
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PAGE 02 HELSIN 00550 131215Z

CONSERVATIVES, APPEAR READY TO SUPPORT PROGRAM, SO

PROMPT PASSAGE IS LIKELY. END SUMMARY.

2. FINNISH GOVERNMENT ANNOUNCED EVENING OF MARCH 11 LONG EXPECTED MEASURES TO REDUCE SHARPLY ADVERSE TRADE BALANCE. EFFECTIVE MARCH 12, BY ADMINISTRATIVE PROMULGATION, WAS "COMPLETE" PRICE CONTROL AND A 15 PERCENT NON-REFUNDABLE FEE ON ALL IMPORTS. THESE ARE TO BE IN FORCE UNTIL PARLIAMENT APPROVES TWO LEGISLATIVE PROPOSALS INTRODUCED BY GOF ON MARCH 11 TO AMEND EXISTING PRICE CONTROL LAW AND ESTABLISH AN IMPORT DEPOSIT SCHEME CALLING FOR VARIABLE NON-INTEREST-PAYING DEPOSITS AMOUNTING TO UP TO 30 PERCENT OF COST OF IMPORTS, TO BE RETURNED TO THE IMPORTER SIX MONTHS AFTER DEPOSIT. IMPORT DEPOSITS WILL NOT BE REQUIRED FOR SOME GOODS. FINANCE MINISTRY, WITH ASSISTANCE OF BOARD OF TRADE AND CONSUMER INTERESTS, IS CHARGED WITH DRAWING UP LIST OF GOODS WHICH WILL FALL UNDER SCHEME AND SETTLING PERCENTAGE OF DEPOSIT REQUIRED FOR EACH CATEGORY.

3. THE TWO BILLS INTRODUCED BY GOVERNMENT TO PROMULGATE NEW PROGRAM WILL REQUIRE APPROVAL BY FIVE-SIXTHS MAJORITY IN PARLIAMENT. WHILE THERE IS POSSIBILITY OF DELAY, PRESS OF MARCH 13 SAYS TWO MAJOR PARTIES OUT OF GOVERNMENT, CONSERVATIVES AND COMMUNISTS, HAVE TAKEN FAVORABLE ATTITUDE TO GOVERNMENT'S ACTION, WHICH AVOIDS OTHER ALTERNATIVE OF DEVALUATION LAST ADOPTED IN FINLAND IN 1967. BILLS WILL THUS PROBABLY PASS. FIFTEEN PERCENT NON-REFUNDABLE SURCHARGE ON IMPORTS WILL STAY IN EFFECT UNTIL LAW REQUIRING IMPORT DEPOSIT IS ENACTED AND COMES INTO FORCE.

4. LAST YEAR'S TRADE DEFICIT WAS LARGE (JUST UNDER 1.4 BILLION US DOLLARS) AND ON THE EVIDENCE OF FIRST TWO MONTHS' TRADE FIGURES FOR 1975, THIS YEAR'S ADVERSE BALANCE COULD BE TWICE THAT IF NO ACTION TAKEN. LAST YEAR'S FOREIGN EXCHANGE RESERVES WERE CONSISTANTLY ONLY A LITTLE MORE THAN THE COST OF TWO MONTH'S IMPORTS, AND ARE NOW PRESUMABLY LOWER.

5. TEXT OF GOVERNMENT ANNOUNCEMENT OF ITS NEW PROGRAM
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PAGE 03 HELSIN 00550 131215Z

AND EMBASSY COMMENT AND FURTHER INFORMATION WILL BE SENT BY SEPTELS.
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